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Department of State

TELEGRAM

Rome 1026

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DEPARTMENT OF STATE A/CDC/MD 25 MAY 1982
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FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 9860

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FOR STABLER (EUR/AIS)

1. FOLLOWING ARE QUESTIONS AND ANSWERS PER TELECON 18TH. SUGGEST YOU REARRANGE TO BEGIN AT PARA 10.

2. Q: US OFFICIALS RECENTLY VISITED ROME FOR INFORMAL DISCUSSIONS ABOUT A NEW AVIATION AGREEMENT BETWEEN ITALY AND US. WHEN WILL US BE PREPARED TO RESUME NEGOTIATIONS?

A: CIVIL AVIATION POLICY IS UNDER REVIEW BY THIS ADMINISTRATION AND WE WILL CERTAINLY BE PREPARED TO RESUME NEGOTIATIONS AS SOON AS IT SEEMS POSSIBLE THESE WILL LEAD TO NEW AGREEMENT.

3. Q: US PLANES ARE PERMITTED TO FLY BEYOND ROME TO VARIOUS POINTS IN ASIA. WHEN WILL ALITALIA BE PERMITTED TO FLY TO LOS ANGELES AND THEN AROUND THE WORLD?

A: QUESTION OF SPECIFIC ROUTES IS ONE WHICH WILL HAVE TO BE WORKED OUT WHEN NEGOTIATIONS ARE RESUMED BETWEEN ITALY AND US. PRESENT ROUTES ARE BASED ON UNDERSTANDING BETWEEN THE TWO GOVERNMENTS WHICH PERMITS CONTINUATION OF FLIGHTS IN ACCORDANCE WITH OLD AGREEMENT EVEN THOUGH THAT AGREEMENT IS NO LONGER IN FORCE.

4. Q: FRANCE AND GERMANY RECENTLY PROPOSED TRADING ARRANGEMENTS BETWEEN COMMON MARKET AND GREAT BRITAIN UNTIL IT BECOMES

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POSSIBLE TO NEGOTIATE FULL MEMBERSHIP FOR BRITAIN AND THE OTHER COUNTRIES WHICH ARE SEEKING TO JOIN THE COMMON MARKET. US, ALTHOUGH IT PROFESSES TO SUPPORT UNITED EUROPE AND BRITISH MEMBERSHIP IN EUROPE, HAS OPPOSED SUCH ARRANGEMENTS. HOW CAN THIS BE RECONCILED?

A: ALTHOUGH COMMON MARKET, WITH OR WITHOUT UK, INVOLVES SOME TRADE DISADVANTAGES TO US, AT LEAST IN SHORT RUN, WE HAVE CONSISTENTLY SUPPORTED POLITICAL IDEAL OF UNITED EUROPE AS ONE WHICH WOULD BENEFIT BOTH EUROPE AND US IN LONG RUN. PROPOSED TRADING ARRANGEMENTS INVOLVE SHORT-RUN ECONOMIC DISADVANTAGES WITHOUT ANY COMMITMENT CONCERNING BRITISH MEMBERSHIP IN UNITED EUROPE. AT A TIME WHEN US HAS BEEN EXPERIENCING BALANCE-OF-PAYMENTS DIFFICULTIES OVER NUMBER OF YEARS, IT WOULD BE DIFFICULT TO JUSTIFY TO AMERICAN PEOPLE TRADING ARRANGEMENTS WHICH WOULD DISCRIMINATE AGAINST AMERICAN EXPORTS WITHOUT DEMONSTRATING AT SAME TIME OVERRIDING POLITICAL ADVANTAGES.

5. Q: IT IS REPORTED THAT YOUR NEW ADMINISTRATION IS MUCH MORE INTERESTED IN EUROPE THAN WAS PREVIOUS ADMINISTRATION. WHAT PROPOSALS DO YOU HAVE FOR FURTHERING EUROPEAN POLITICAL UNITY?

A: US HAD DEMONSTRATED ITS SUPPORT IN EUROPE IN A WHOLE SERIES OF MEASURES AND ACTIONS TAKEN DURING AND SINCE WW II. ONE OF PURPOSES OF THIS TRIP SO EARLY IN NEW ADMINISTRATION IS TO ACQUAINT MYSELF WITH VIEWS OF OUR PRINCIPAL EUROPEAN ALLIES. AT THIS TIME, BEFORE FORMULATING NEW POLCIES, I WOULD LIKE TO HAVE BENEFIT OF VIEWS OF EUROPEANS THEMSELVES, SINCE EUROPEAN UNITY CAN ONLY BE ACHIEVED BY EUROPEAN NATIONS. THIS ADMINISTRATION REMAINS COMMITTED TO SUPPORTING MOVES THAT WILL STRENGTHEN EUROPEAN UNITY.

6. Q: DURING PAST YEAR, IN FACT SINCE END OF KENNEDY ROUND, US HAS TAKEN NUMBER OF MEASURES WHICH ARE PROTECTIONIST IN NATURE. WE HAVE READ REPORTS THAT NEW CONGRESS AND NEW ADMINISTRATION MAY BE EVEN MORE PROTECTIONIST THAN THE OLD. WOULD YOU COMMENT?

A: I WOULD NOT CARE TO COMMENT AT THIS TIME ON DEGREE OF PROTECTIONISM OF VARIOUS CONGRESSES OR ADMINISTRATIONS OR TO COMPARE PROTECTIONISM ON TWO SIDES OF ATLANTIC. WE HAVE

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AFFIRMED SUPPORT FOR LIBERAL TRADING POLICIES. THIS IS AN AREA WHERE ALL MUST BE ALERT TO ASSURE THAT SPECIAL INTERESTS DO NOT GAIN UPPER HAND OVER GENERAL GOOD, AT SAME TIME RECOGNIZING PARTICULAR DIFFICULTIES SOMETIMES FACED BY SPECIFIC SECTORS OF ECONOMY. MY ADMINISTRATION WILL SEEK TO WORK IN CLOSE HARMONY WITH ALL OUR MAJOR TRADING PARTNERS TO REDUCE BARRIERS TO FREE EXCHANGE OF GOODS AND SERVICES.

7. Q: WHAT ARE YOUR IDEAS ON INTERNATIONAL MONETARY REFORM AND WHAT REACTIONS HAVE YOU RECEIVED TO THEM IN CONVERSATIONS WITH ITALIAN OFFICIALS?

A: HEALTHY MONETARY ENVIRONMENT IS NECESSARY FOR ECONOMIC GROWTH AND WELL BEING OF WESTERN WORLD AND THEREFORE IS OF INTEREST TO US ALL. MONETARY SYSTEM MUST CHANGE AS WORLD ECONOMY, WHICH IT IS DESIGNED TO SERVE, CHANGES. MONETARY SYSTEM IS IN CONSTANT EVOLUTION, AS WE HAVE SEEN, FOR EXAMPLE, IN VALUABLE PLAN FOR CREATING SPECIAL DRAWING RIGHTS IN INTERNATIONAL MONETARY FUND. I DO NOT ANTICIPATE ANY DRAMATIC CHANGES, BUT RATHER GRADUAL DEVELOPMENT BUILDING ON BASIS OF SYSTEM THAT WE HAVE AND WHICH HAS BEEN SO SUCCESSFUL IN PROMOTING INTERNATIONAL TRADE AND ECONOMIC DEVELOPMENT. ITALIAN OFFICIALS AND I FOUND OURSELVES IN VERY CLOSE AGREEMENT ON THIS PROBLEM.

8. Q: IS PRICE OF GOLD A QUESTION OPEN FOR FURTHER CONSIDERATION?

A: WE HAVE LOOKED AT QUESTION OF THE GOLD PRICE WITHIN THE USG AND HAVE CONCLUDED THAT IT IS NOT A QUESTION THAT IS USEFUL OR ADVANTAGEOUS TO STUDY. I HAVE BEEN GLAD TO NOTE ITALIAN OFFICIALS WHOLEHEARTEDLY AGREE. ACKLEY

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9. Q: DO YOU LOOK FOR IMPROVEMENT IN US BALANCE OF PAYMENTS POSITION AND WILL YOU REMOVE EXISTING CONTROLS ON OUTFLOW OF AMERICAN CAPITAL?

A: AS WE MAKE PROGRESS IN COOLING OFF US ECONOMY, I WOULD EXPECT CORRESPONDING IMPROVEMENT IN US' BALANCE OF PAYMENTS. I PARTICULARLY HOPE FOR RECOVERY IN THE TRADE ACCOUNT. TRADITIONALLY US NEEDS LARGE TRADE SURPLUS TO SUSTAIN VARIOUS DEMANDS MADE ON OFFICIAL AND PRIVATE CAPITAL SOURCES OF US. I AM SEEKING TO EMPHASIZE DURING TRIP THAT STRONG NEW EFFORT SHOULD BE MADE TO GET RID OF OBSTACLES TO GROWTH OF INTERNATIONAL TRADE. FURTHERMORE, NOT ONLY DEFICIT COUNTRIES, BUT COUNTRIES IN SURPLUS AS WELL MUST IMPROVE COOPERATION IF DISRUPTIONS CREATED BY EXTREMES IN SURPLUSES AND DEFICITS ARE TO BE AVOIDED. WHEN US BALANCE OF PAYMENTS REACHES SUFFICIENT DEGREE OF IMPROVEMENT, WE INTEND TO REDUCE CONTROLS ON CAPITAL OUTFLOWS AND TO ELIMINATE THEM ALTHOGETHER AS QUICKLY AS WE CAN.

10. Q: CAN YOU SUMMARIZE YOUR TALKS WITH ITALIANS OFFICIALS?

A: MY FIRST OBJECT WAS TO ESTABLISH CORDIAL RELATIONS WITH PRESIDENT SARAGAT? PRIMER RUMOR, AND OTHER MEMBERS OF GOVERNMENT, AND IN THIS I FULLY SUCCEEDED. SECOND, I HAD OPPORTUNITY TO EXPLAIN VIEWS OF MY ADMINISTRATION ON FUTURE OF ATLANTIC ALLIANCE AND OF CLOSE, FRIENDLY TIES BETWEEN US AND ITALY. THIRD, LEADERS OF ITALY GAVE ME BENEFIT OF THEIR VALUABEL VIEWS ON THESE SUBJECTS. FINALLY, VISIT AS WHOLE IMPRESSED ME WITH VITAL PROGRESS MADE BY ITALY IN RECENT YEARS WHICH

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HAS BROUGHT IT TO FRONT RANKS OF MAJOR INDUSTRIALIZED NATIONS.

11. Q: WAKE OF CZECHOSLOVAK INVASION HAS AROUSED DEBATE RE FUTURE OF NATO. WHAT ARE YOUR VIEWS?

A: NATO REMAINS PRIME SAFEGUARD FOR WEST EUROPEAN SECURITY, AND AT SAME TIME SINE QUA NON FOR PURSUIT OF DETENTE ON EUROPEAN CONTINENT. EVENTS SINCE LAST AUGUST HAVE PROVEN TO US ALL THE NEED TO MAINTAIN, AND IMPROVE ON, OUR DEFENSES EVEN AS WE SEEK WAYS TO DECREASE EAST-WEST TENSIONS. I AM GLAD TO SAY ITALIAN OFFICIALS ARE IN FULL AGREEMENT.

12. Q: PRESENCE OF SOVIET FLEET IN MEDITERRANEAN CAUSES PARTICULAR WORRIES FOR ITALY. WHAT ARE PROPER ROLES OF US AND OF ITALY IN MEETING THESE WORRIES?

A: US SIXTH FLEET AND ITALIAN FLEET HAVE LONG BEEN, AND WILL CONTINUE TO BE, BULWARKS OF SECURITY IN MEDITERRANEAN. INCREASED PRESENCE OF SOVIET NAVAL VESSELS DOES NOT CHANGE THIS FACT, NOR DOES IT INVALIDATE OUR STRATEGIC ARRANGEMENTS FOR PROTECTION OF NATO'S SOUTHERN FLANK.

13. Q: CAN FOUR-POWER CONSULTATIONS ON MIDDLE EAST LEAD TO PEACE FOR THAT AREA? HOW DO YOU ENVISAGE ROLE OF ITALY IN ME PEACE-SEEKING?

A: IT IS TOO EARLY TO EXPRESS SURELY THAT PRESENT EFFORTS WILL BE ABLE TO BRING PEACE TO ME. US WILL DO ALL IT CAN, AND IS DEEPLY APPRECIATIVE OF MAJOR CONTRIBUTIONS ITALY HAS MADE, AND NO DOUBT WILL CONTINUE TO MAKE, TOWARD PEACE IN THAT REGION.

14. Q: WHAT ARE YOUR VIEWS ON FUTURE DISARMAMENT NEGOTIATIONS WITH SOVIETS, PARTICULARLY SALT?

A: MY ADMINISTRATION WILL PRESS FORWARD WHEREVER AND WHENEVER POSSIBLE TOWARD MEANINGFUL NEW MEASURES TO LIMIT AND REDUCE NUCLEAR THREAT. WE HOPE IN PARTICULAR TO FIND AGREEMENT WITH SOVIETS ON LIMITATION OF STRATEGIC ARMS. IN THIS WE HAVE CONSTANTLY IN MIND THE STRATEGIC AND POLITICAL INTERESTS OF OUR ALLIES, WITH WHOM WE ARE IN FREQUENT CONSULTATION.

EXEMPT. ACKLEY

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